

ULTRA CLEAN HOLDINGS INC

Form S-1

February 07, 2006

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**As filed with the Securities and Exchange Commission on February 7, 2006
Registration No. 333-**

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**FORM S-1
REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933**

Ultra Clean Holdings, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware <i>(State or Other Jurisdiction of Incorporation or Organization)</i>	3674 <i>(Primary Standard Industrial Classification Code Number)</i>	61-1430858 <i>(I.R.S. Employer Identification Number)</i>
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**150 Independence Drive
Menlo Park, California 94025
(650) 323-4100**
*(Address, Including Zip Code, and Telephone Number,
Including Area Code, of Registrant's Principal Executive Offices)*

**Incorporating Services Inc.
15 East North Street
Dover, Delaware 19901
(800) 346-4646**
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copies to:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box.

CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities To Be Registered	Number of Shares to be Registered(1)	Proposed Maximum Offering Price Per Unit(2)	Proposed Maximum Aggregate Offering Price(1)(2)	Amount Of Registration Fee
Common Stock, par value \$0.001 per share	6,900,000	\$9.56	\$65,964,000	\$7,059

(1) Includes shares which the underwriters have the right to purchase to cover overallotments.

(2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and we are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated February 7, 2006**Prospectus****6,000,000 shares****Common Stock**

This is an offering of common stock of Ultra Clean Holdings, Inc. Of the 6,000,000 shares of common stock being sold in this offering, 2,000,000 shares are being sold by Ultra Clean Holdings, Inc., and 4,000,000 shares are being sold by the selling stockholders, including members of our management. We will not receive any of the proceeds from the sale of shares by the selling stockholders.

Our common stock is traded on The Nasdaq National Market under the symbol UCTT. The last reported sale price of our common stock on February 3, 2006 was \$9.54 per share.

	Per share	Total
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds to Ultra Clean, before expenses	\$	\$
Proceeds to selling stockholders, before expenses	\$	\$

Certain of the selling stockholders have granted the underwriters an option for a period of 30 days to purchase up to 900,000 additional common shares. We will not receive any proceeds from the sale of shares by the selling stockholders.

Investing in our common shares involves a high degree of risk. See Risk factors beginning on page 7. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

JPMorgan**Piper Jaffray****Needham & Company, LLC**

Prospectus dated , 2006

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About this prospectus

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information in this prospectus is current only as of its date.

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Prospectus summary

This summary highlights information contained elsewhere in this prospectus. This summary may not contain all of the information that may be important to you. You should read this entire prospectus, including the section entitled Risk factors and our consolidated financial data and related notes, before making an investment decision. References in this prospectus to Ultra Clean, we, us, our and our comp refer to Ultra Clean Holdings, Inc. and Ultra Clean Technology Systems and Service, Inc. unless otherwise specified. The Ultra Clean Technology logo is our registered trademark. In addition, this prospectus contains trademarks, service marks and trade names of companies and organizations other than Ultra Clean Holdings, Inc.

Ultra Clean Holdings, Inc.

We are a leading developer and supplier of critical subsystems, primarily for the semiconductor capital equipment industry. We develop, design, prototype, engineer, manufacture and test subsystems which are highly specialized and tailored to specific steps in the semiconductor manufacturing process. Currently, our revenue is derived primarily from the sale of gas delivery systems. We are increasing our revenue related to the sale of other subsystems, including chemical delivery modules, top-plate assemblies, frame assemblies and process modules. Our primary customers are semiconductor equipment manufacturers. Historically, the majority of semiconductor equipment manufacturers were vertically integrated. However, as they place greater emphasis on their core competencies, process development and innovation, they rely more heavily on outsourcing the design, development and manufacturing of many of the subsystems that comprise the semiconductor manufacturing equipment they produce. As the requirements they place on their subsystem suppliers increase and the scope of the subsystems they outsource expands, semiconductor equipment manufacturers seek to consolidate their supplier relationships into a reduced number of integrated solution providers.

We provide our customers complete subsystem solutions that combine our expertise in design, test, component characterization and highly flexible manufacturing operations with quality control and financial stability. This combination helps us to drive down total manufacturing costs, reduce design-to-delivery cycle times and maintain high quality standards for our customers. We believe these characteristics, as well as our standing as a leading supplier of gas delivery systems, place us in a strong position to benefit from the growing demand for subsystem outsourcing.

We had sales of \$108.8 million for the nine month period ended September 30, 2005 and \$184.2 million and \$77.5 million for the years ended December 31, 2004 and 2003, respectively. Our three largest customers in 2005 were Applied Materials, Inc., Lam Research Corporation and Novellus Systems, Inc.

Our solution

We are a leading developer and supplier of critical subsystems for the semiconductor capital equipment industry. Our products enable our original equipment manufacturer, or OEM, customers to realize lower manufacturing costs and reduced design-to-delivery cycle times while maintaining quality.

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We offer our customers:

An integrated outsourced solution for gas delivery systems and other subsystems. We provide our OEM customers a complete outsourced solution for the development, design, prototyping, engineering, manufacturing and testing of advanced gas delivery systems. We also provide outsourced solutions for chemical delivery modules, top-plate assemblies, frame assemblies and process modules. We combine highly specialized engineering and manufacturing capabilities to produce high performance products that are customized to meet the needs of our customers, as well as their respective end users. We manage supply chain logistics in an effort to reduce the overall number of suppliers and inventory levels that our customers would otherwise be required to manage. We also believe we are often in a position to negotiate reduced component prices due to our large volume orders.

Improved design-to-delivery cycle times. Our strong relationships with our customers and intimate familiarity with their products and requirements help us reduce design-to-delivery cycle times for gas delivery systems and other subsystems. We have optimized our supply chain management, design and manufacturing coordination and controls to respond rapidly to order requests, enabling us to decrease design-to-delivery cycle times for our customers.

Component neutral design and manufacturing. We do not manufacture any of the components within our gas delivery systems and other subsystems ourselves. Our component neutral position enables us to recommend components on the basis of technology, performance and cost and to optimize our customers overall designs based on these criteria. Furthermore, our neutral approach allows us to maintain close relationships with a wide range of component suppliers.

Component testing capabilities. We utilize our engineering expertise to test and characterize key components and subsystems. We have made significant investments in advanced analytical and automated test equipment to test and qualify key components. We can perform diagnostic tests, design verification and failure analysis for customers and suppliers. Our analytical and testing capabilities enable us to evaluate multiple supplier component technologies and provide customers with a wide range of appropriate component and design choices for their subsystems.

Increased integration with OEMs through local presence. Our local presence in close proximity to the facilities of most of our OEM customers enables us to remain closely integrated with their design, development and implementation teams. This level of integration enables us to respond quickly and efficiently to customer changes and requests.

Our strategy

Our objective is to maintain our position as a leading developer and supplier of gas delivery systems and become a leading developer and supplier of other critical subsystems, primarily for the semiconductor capital equipment industry.

Our strategy is comprised of the following key elements:

Continue to expand our market share with OEMs. We believe that the increase in outsourcing among OEMs creates a significant market opportunity for us to grow our business with existing and new customers. We believe that our continued focus on efficient manufacturing, reduced design-to-delivery cycle times and quality and reliability will also allow us to gain market share.

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Leverage our expanding geographic presence in lower cost manufacturing regions. In March 2005, we completed construction of a manufacturing facility in Shanghai, China, allowing us to expand production in a low cost region. This facility puts us in close proximity to the manufacturing facilities of potential customers and their end users.

Drive profitable growth with our flexible cost structure. We implement cost containment and capacity enhancement initiatives throughout the semiconductor capital equipment demand cycle and benefit greatly from our supply chain efficiencies. In addition, we believe our facility in Shanghai positions us to respond effectively to future business demands.

Selectively pursue strategic acquisitions. We may choose to accelerate the growth of our business by selectively pursuing strategic acquisitions. We have in the past considered and will continue to consider acquisitions that will enable us to expand our geographic presence, secure new customers and diversify into complementary products and markets as well as broaden our technological capabilities in semiconductor capital equipment manufacturing.

Our history

Ultra Clean Holdings, Inc. was founded in November 2002 for the purpose of acquiring Ultra Clean Technology Systems and Service, Inc. Ultra Clean Technology Systems and Service, Inc. was founded in 1991 by Mitsubishi Corporation and was operated as a subsidiary of Mitsubishi until November 2002, when it was acquired by Ultra Clean Holdings, Inc. Ultra Clean Holdings, Inc. became a publicly traded company in March 2004. FP-Ultra Clean, LLC, a wholly-owned subsidiary of Francisco Partners, L.P., currently owns approximately 55% of Ultra Clean Holdings, Inc., and after completion of this offering, FP-Ultra Clean, LLC will own approximately 28% of our outstanding common stock, assuming no exercise of the underwriters overallotment option. We conduct our operating activities primarily through our two wholly-owned subsidiaries, Ultra Clean Technology Systems and Service, Inc. and Ultra Clean Technology (Shanghai) Co., LTD.

Our principal executive offices are located at 150 Independence Drive, Menlo Park, California 94025 and our telephone number is (650) 323-4100. We maintain a web site at www.uct.com. The information on our web site is not part of this prospectus.

Risks associated with our business

Our business is subject to numerous risks, which are highlighted in the section entitled Risk factors immediately following this prospectus summary, including:

The semiconductor capital equipment industry is highly cyclical and recurring periods of over-supply of semiconductor products have caused customer orders for our products to fluctuate significantly from period to period.

We rely on a small number of customers for a significant portion of our sales, and any impairment to our customer relationships would adversely affect our business. If these or other customers do not continue to outsource gas delivery systems or other subsystems for their capital equipment, our revenue would be reduced.

We do not have long-term purchase contracts with any of our customers and, as a result, our sales are difficult to forecast. Any significant reductions, cancellations or delays in customer orders could cause our sales to decline and our operating results to suffer.

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We are dependent on a number of single-source and sole-source suppliers for many of the components we use in our products. We do not have long-term commitments from any of our suppliers and the loss of any of our key suppliers could negatively affect our operations.

Our industry is highly competitive and rapidly evolving and we must keep pace with technological changes.

We have recently established operations in China, which exposes us to new risks associated with operating in a foreign country.

Third parties have claimed and may in the future claim that we are infringing their intellectual property, which could subject us to litigation or licensing expenses, and we may be prevented from selling our products if any such claims prove successful.

We are controlled by Francisco Partners, L.P. and our other stockholders are unable to affect the outcome of stockholder voting. In addition, for so long as Francisco Partners, L.P. beneficially owns at least 25% of our outstanding common stock, our board of directors may not take certain actions without the approval of Francisco Partners, L.P.

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Common stock offered by Ultra Clean	2,000,000 shares
Common stock offered by the selling stockholders	4,000,000 shares
Common stock to be outstanding after the offering	18,501,363 shares
Overallotment option granted by the selling stockholders	900,000 shares
Nasdaq National Market symbol	UCTT

Use of proceeds

We intend to use the net proceeds to us of this offering for working capital and other general corporate purposes, including potential acquisitions of companies or technologies that complement our business. We will not receive any of the proceeds from the sale of common stock by the selling stockholders. See Use of proceeds on page 21.

The number of shares of our common stock to be outstanding after the offering is based on 16,501,363 shares outstanding as of December 31, 2005, and excludes:

2,120,437 shares subject to outstanding options at a weighted average exercise price of \$4.17 per share;

1,324,319 additional shares reserved for issuance under our Amended and Restated 2003 Stock Incentive Plan; and

424,075 shares reserved for issuance under our Employee Stock Purchase Plan.

Unless otherwise indicated, all information in this prospectus assumes no exercise of the underwriters overallotment option.

Total operating expenses								
Income (loss) from operations	9,254	5,315	506	(2,338)	1,798	13,448	11,117	1,899
Other income (expense):								
Interest expense, net	(687)	(436)	(170)	(182)	(1,458)	(387)	(413)	85
Other income (expense), net		(4)	(6)	4				
Income (loss) before income taxes								
Income tax provision (benefit)	(136)	1,981	642	(667)	232	4,511	4,289	664
Net income (loss)								
	\$ 8,703	\$ 2,894	\$ (312)	\$ (1,849)	\$ 108	\$ 8,550	\$ 6,415	\$ 1,320
Net income (loss) per share:								
Basic	\$ 2.36	\$ 0.79	\$ (0.08)	\$ (0.21)	\$ 0.01	\$ 0.59	\$ 0.46	\$ 0.08
Diluted	\$ 1.95	\$ 0.64	\$ (0.08)	\$ (0.21)	\$ 0.01	\$ 0.55	\$ 0.43	\$ 0.08
Shares used in computing net income (loss) per share:								
Basic	3,680	3,680	3,680	8,668	9,976	14,605	14,069	16,219
Diluted	4,467	4,535	3,680	8,668	10,711	15,542	14,999	17,128

**As of September 30, 2005
(in thousands)**

	Actual	As adjusted(1)
Consolidated balance sheet data:		
Cash	\$14,124	\$31,459
Working capital	32,713	50,049
Total assets	70,320	87,655
Short- and long-term capital lease and other obligations	444	444
Total stockholders equity	54,239	71,575

(1) On an as adjusted basis to reflect the sale by us of 2,000,000 shares of common stock in this offering at an assumed public offering price of \$9.54 per share, after deducting underwriting discounts and commissions and estimated offering expenses. The pro-rata portion of the offering expenses of the selling stockholders in the offering, other than underwriting discounts and commissions, will be charged to operations in the quarter in which the offering is completed.

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Risk factors

The purchase of our common stock involves significant investment risks. You should carefully consider the following risks before making a decision to invest in our common stock. If any of the events or circumstances described below actually occur, our business, financial condition and results of operations could suffer, the trading price of our common stock could decline and you could lose part or all of your investment.

Risks related to our business

The highly cyclical nature of the semiconductor capital equipment industry and general economic slowdowns could harm our operating results.

Our business and operating results depend in significant part upon capital expenditures by manufacturers of semiconductors, which in turn depend upon the current and anticipated market demand for semiconductors. Historically, the semiconductor industry has been highly cyclical, with recurring periods of over-supply of semiconductor products that have had a severe negative effect on the demand for capital equipment used to manufacture semiconductors. We have experienced and anticipate that we will continue to experience significant fluctuations in customer orders for our products. Our sales were \$108.8 million for the nine months ended September 30, 2005, \$184.2 million in 2004, \$77.5 million in 2003, and \$84.3 million in 2002. Beginning in the third quarter of 2004, we started to experience a weakening in new orders and an increase in customer requests for cancellations and postponements of existing orders that continued through the third quarter of 2005. Historically, semiconductor industry slowdowns have had, and future slowdowns may have, a material adverse effect on our operating results.

In addition, uncertainty regarding the growth rate of economies throughout the world has caused companies to reduce capital investment and may cause further reduction of such investments. These reductions have been particularly severe in the semiconductor capital equipment industry. A potential rebound in the worldwide economy in the near future will not necessarily mean that our business will experience similar effects.

We rely on a small number of customers for a significant portion of our sales, and any impairment of our relationships with these customers would adversely affect our business.

A relatively small number of OEM customers has historically accounted for a significant portion of our sales, and we expect this trend to continue. Applied Materials, Inc., Lam Research Corporation and Novellus Systems, Inc. as a group accounted for 90% of our sales for the nine months ended September 30, 2005, 93% of our sales in 2004, 92% of our sales in 2003 and 99% of our sale